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# Misappropriation Is Seventy-Five Years Old: Should We Bury It or Revive It

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# MISAPPROPRIATION IS SEVENTY-FIVE YEARS OLD; SHOULD WE BURY IT OR REVIVE IT?

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## I. INTRODUCTION

December 23, 1993 marked the 75th anniversary of *International News Service v. Associated Press.*[1] The *I.N.S.* case is significant because the Supreme Court, virtually out of nowhere, adopted a labor theory of intellectual property to create the "misappropriation doctrine." The doctrine is so elusive that lower courts have had difficulty in even stating its elements. The Supreme Court, acting under the guise of federal common law, recognized a cause of action for misappropriation of a competitor's intangible assets, including those that are released to the public domain without patent, trademark, or copyright protection.

The facts of the case are simple enough. I.N.S. had copied information from Associated Press news dispatches from Europe that were published in early edition eastern newspapers.[2] I.N.S. transmitted the news stories to its subscribers on the West Coast for publication in competition with Associated Press.[3] I.N.S. did not have its own reporters in Europe reporting on the First World War news events; instead, it simply took the Associated Press stories as they were wired and published in eastern United States papers, and then rewrote and sold them.[4] The news reports were uncopyrighted.[5] The Supreme Court, in holding for Associated Press, stated its now famous "labor theory" of intellectual property assets as actionable unfair competition, now commonly called the misappropriation doctrine:

> In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members

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1. International News Serv. v. Associated Press, 248 U.S. 215 (1918) [hereinafter *I.N.S.*].
2. *Id.* at 231.
3. *Id.*
4. *Id.*
5. *Id.* at 233.

> is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business.[6]

Over the years, this case and this single paragraph have been examined, critiqued, commended, and condemned by scholars and judges alike.[7] Some courts have adopted the holding, while others have flatly rejected it. Many condemn it, saying that letting common law courts loose with a doctrine this broad and undefined is dangerous.

It is the purpose of this article to examine the doctrine of misappropriation and consider whether it should be buried once and for all by confining it to the graveyard of those cases limited to their facts, or whether it in fact serves a useful purpose in the high-tech '90s by providing a remedy where equity and justice demands. Necessarily, such an analysis involves a balancing of federal and state rights, and consideration of the public policy favoring unfettered competition in ideas voluntarily placed in the public domain. This article examines the origins of the misappropriation doctrine, the debate over the worth of the doctrine, its federal and state history, and finally recommends an approach which may assist in analysis of misappropriation cases.

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6. *I.N.S.*, 248 U.S. at 239-40.

7. *See* W. Edward Sell, *The Doctrine of Misappropriation in Unfair Competition*, 11 VAND. L. REV. 483, 496-99 (1958); James A. Rahl, *The Right to "Appropriate" Trade Values*, 23 OHIO ST. L.J. 56 (1962) [hereinafter Rahl]; Douglas G. Baird, *Common Law Intellectual Property and The Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411 (1983); Howard B. Abrams, *Copyright, Misappropriation, and Preemption: Constitutional and Statutory Limits of State Law Protection*, 1983 SUP. CT. REV. 509, 513-575; C. Owen Paepke, *An Economic Interpretation of the Misappropriation Doctrine: Common Law Protection for Investments in Innovation*, 2 HIGH TECH. L.J. 55 (1987); Leo J. Raskind, *The Misappropriation Doctrine as a Competitive Norm of Intellectual Property Law*, 75 MINN. L. REV. 875 (1991); Dennis S. Karjala, *Copyright and Misappropriation*, 17 U. DAYTON L. REV. 884 (1992); Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149 (1992); J. THOMAS MCCARTHY, MCCARTHEY ON TRADEMARKS AND UNFAIR COMPETITION §§ 10.23 - .34 (3d ed. 1992).

## II. THE DOCTRINE OF MISAPPROPRIATION

### A. THE ELEMENTS OF THE TORT

Most courts that have adopted misappropriation do so after quoting the famous paragraph of *I.N.S.* followed by their own reiteration of the elements of the tort. Typical, and as articulate as any, is the Wisconsin Supreme Court in *Mercury Record Productions, Inc., v. Economic Consultants, Inc.*,[8] wherein the court said: "The elements of the misappropriation cause of action developed in *I.N.S.* are: (1) time, labor, and money expended in the creation of the thing appropriated; (2) competition; and (3) commercial damage to the plaintiff."[9]

Even the most casual examination of the elements of the tort as routinely articulated indicates the breadth of the doctrine. The tort cannot possibly be limited to the three elements listed by the Wisconsin Supreme Court. For example, the above-listed elements do not take into account whether the asset misappropriated is in fact something voluntarily placed in the public domain. Nor do they take into account that if the intellectual property asset is not protectible under federal patent, trademark, or copyright laws, it may be that federal preemption would preclude state law protection. The simple statement of the doctrine also ignores the fact that in any educated technological society, all intellectual asset creations necessarily build upon the education, technology, and creations of forerunners.[10] As one author has put it, "our economy would still be in the Dark Ages if independent creation were the only circumstance under which competing alternatives could be offered."[11] For example, we all learn language by mimicry. Likewise, today's rocket scientists use theories of yesterday's scientific giants like Sir Isaac Newton. Thus, the tort of misappropriation must involve consideration of more than just the taking of another's labor.

The law must recognize the difference between tangible property and its appropriation and appropriation of information, knowledge, and intangible property. Such intangible property, unlike physical property, can be simultaneously used by many. The question therefore becomes whether or not society should exclude simultaneous use by many, and if

8. 218 N.W.2d 705 (Wis. 1974).

9. Mercury Record Prods., Inc. v. Economic Consultants, Inc., 218 N.W.2d 705, 709 (Wis. 1974).

10. *See* NICHOLAS HALASZ, NOBEL, 248 (Orion Press 1959), ("It is quite natural that a dwarf on the shoulders of a giant should see farther than the giant." (quoting Lord Justice Kay of the House of Lords in a patent infringement case on dynamite)).

11. Rahl, *supra* note 7, at 72..

it does, what are the consequences of treating intangible property as exclusively under the control of one?

Consider, for example, application of the elements of misappropriation as enunciated by the Wisconsin Supreme Court to a modern day copy of Michaelangelo's "David." Everyone that has made and used such a copy could be potentially liable to Michaelangelo's heirs, since the elements of misappropriation are met! It is therefore clear that there must be additional elements to the tort of misappropriation beyond those enunciated in decisions like the Wisconsin Supreme Court's.

### B. THE "REAL" ELEMENTS OF THE TORT

The author proposes that the elements of misappropriation should be the following:

(1) Plaintiff has created its asset through considerable expenditure of time, labor, and skill;

(2) Defendant has appropriated plaintiff's asset without expenditure of time, labor, and skill to frustrate plaintiff's primary purpose in creation of the asset;

(3) Defendant has competed with plaintiff;

(4) Defendant's appropriation has caused commercial damage to plaintiff;

(5) Relief is not available to plaintiff through other traditionally recognized unfair competition doctrines; and

(6) There is no federal preemption.

While no case has specifically stated these six elements in the above manner, many modern cases undergo an analysis that includes these six factors, even if some are left unstated.[12] As demonstrated below, if new cases are analyzed in light of these six factors, courts would have sufficient discretion to reach proper conclusions without being turned loose with a broad, undefined doctrine that could hinder both technological advancement and competition.

### C. THE DEBATE

The debate over the viability of the doctrine of misappropriation began early in its life. Judge Learned Hand crystallized the debate as

12. *See, e.g.*, United States Golf Ass'n v. St. Andrews Sys. Data Max, Inc., 749 F.2d 1028, 1035 (3d Cir. 1984) (pointing out that misappropriation is flexible and often fills the gap left by other unfair competition torts).

early as 1929. In *Cheney Bros. v. Doris Silk Corp.*,[13] he began his lifelong battle with *I.N.S.*.

In *Cheney Bros.*, the competitor had copied the plaintiff's popular design of silks and had undercut the plaintiff's price.[14] The design was not protected by either patent or copyright.[15] The evidence showed that the design would be popular for only a single season and then the public's fancy would turn to a new design.[16] The plaintiff sought to rely on *I.N.S.*, to which Judge Learned Hand responded:

> Of the cases on which the plaintiff relies, the chief is International News Service v. Associated Press, 248 U.S. 215, 39 S. Ct. 68, 63 L. Ed. 211, 2 A. L. R. 293. Although that concerned another subject-matter—printed news disp atches—we agree that, if it meant to lay down a general doctrine, it would cover this case; at least, the language of the majority opinion goes so far. We do not believe that it did. While it is of course true that law ordinarily speaks in general terms, there are cases where the occasion is at once the justification for, and the limit of, what is decided. This appears to us such an instance; we think that no more was covered than situations substantially similar to those then at bar. The difficulties of understanding it otherwise are insuperable. We are to suppose that the court meant to create a sort of common-law patent or copyright for reasons of justice. Either would flagrantly conflict with the scheme which Congress has for more than a century devised to cover the subject-matter.
>
> Qua patent, we should at least have to decide, as tabula rasa, whether the design or machine was new and required invention; further, we must ignore the Patent Office whose action has always been a condition upon the creation of this kind of property. Qua copyright, although it would be simpler to decide upon the merits, we should equally be obliged to dispense with the conditions imposed upon the creation of the right. Nor, if we went so far, should we know whether the property so recognized should be limited to the periods prescribed in the statutes, or should extend as long as the author's grievance. It appears to us incredible that the Supreme Court should have had in mind any such consequences. To

13. 35 F.2d 279 (2d Cir. 1929).
14. *Id.*
15. *Id.*
16. *Id.*

> exclude others from the enjoyment of a chattel is one thing; to prevent any imitation of it, to set up a monopoly in the plan of its structure, gives the author a power over his fellows vastly greater, a power which the Constitution allows only Congress to create.[17]

Consistent with Judge Learned Hand's view, the Second Circuit routinely limited *I.N.S.* to its own peculiar facts, always distinguishing it on one ground or another.[18] Thus, the early judicial battle lines were drawn only eleven years after the birth of the misappropriation doctrine.

To varying degrees, the views expressed by the Supreme Court in *I.N.S.* and Judge Learned Hand in *Cheney Bros.* have shaped the law for the last seventy-five years. Initially, the cases were mostly federal since the adoption of the misappropriation doctrine was federal common law. However, when *Erie Railroad v. Tompkins*[19] abolished federal common law, the focus shifted to state courts.

## III. THE SIX ERA HISTORY OF MISAPPROPRIATION

### A. WHY SIX ERAS?

The study of state law doctrines and their interrelationship with federal law as well as their viability fluctuate as the Supreme Court changes its view of the relationship of state and federal power. Thus, the history of the misappropriation doctrine can be conveniently segmented into six eras highlighted by benchmark Supreme Court decisions. Those eras are: (1) the federal common law era of 1918-1938; (2) the post-*Erie* era of 1938-1964; (3) the *Sears/Compco*[20] era of 1964-1973; (4) the *Goldstein*[21] or tape piracy era of 1973-1978; (5) the copyright preemption or section 301[22] era of 1978-1991; and finally, (6) the *Feist*[23] era of 1991 to date. The six era history of the misappropriation doctrine is examined below, highlighting some of the more important cases in each era.

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17. *Cheney Bros.*, 35 F.2d 279, 280.

18. R.C.A. Mfg. Co., Inc. v. Whiteman, 114 F.2d 86, 90 (2d Cir.), *cert. denied*, 311 U.S. 712 (1940); G. Ricordi & Co. v. Haendler, 194 F.2d 914, 916 (2d Cir. 1952) (denying misappropriation when defendant copied all of a book on which the copyright had expired); National Comics Publications, Inc. v. Fawcett Publications, Inc., 191 F.2d 594, 603 (2d Cir. 1951).

19. 304 U.S. 64 (1938).

20. Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964).

21. Goldstein v. California, 412 U.S. 546 (1973).

22. 17 U.S.C. § 301 (1988).

23. Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340 (1991).

### B. THE BEGINNING: 1918-1938

In its youth, the doctrine of misappropriation developed slowly. Few of the early federal cases refined the articulated elements of the doctrine beyond the broad statements of the Supreme Court in *I.N.S.* The earlier courts showed a reluctance to extend the doctrine to copying unpatented devices voluntarily placed in the public domain[24] or to unpatented business systems.[25] More success occurred in applying the misappropriation doctrine to cases involving performance appropriation[26] or news appropriation.[27]

By way of example, early cases involving copying of unpatented devices, such as electrical contacts,[28] parts of an Auto-lite system,[29] and a business advertising system for movie theaters,[30] generally distinguished *I.N.S.* as involving elements of fraud, palming off, or unfair interference with customer relationships, each of which was noted to be absent in the facts before the present court. The early cases did not raise issues of federal preemption since they were applying federal law.

In early attempts to use misappropriation in cases involving activities of classic unfair competition, which might be easily classified as trademark infringement or palming off, plaintiffs did little better than in the unpatented device cases.[31] Thus, in a 1921 harbinger of things to come, Judge Learned Hand refused to apply misappropriation to the *New York Times* to stop it from wrongfully asserting that it had a United States publication right of materials first published in the *London Times*, when in fact another United States newspaper contractually had that right.[32] As Judge Learned Hand pointed out, a cause of action lies for

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24. *See* Rahl, *supra* note 7, at 67 nn. 41-50 (citing numerous product cases rejecting the misappropriation doctrine for steak knives, chocolate Christmas cards, baseball cards, fabric design, electrical parts, drugs, chinaware, pocket books, garment closures, and business forms).

25. *E.g.*, Puente v. President & Fellows of Harvard College, 248 F.2d 799 (1st Cir. 1957) (denying recovery where an idea for foreign tax service was voluntarily and publicly disclosed).

26. Waring v. WDAS Broadcasting Station, Inc., 194 A. 631 (Pa. 1937) (broadcasting of records contrary to limited license); Metropolitan Opera Ass'n, Inc. v. Wagner-Nichols Recorder Corp., 101 N.Y.S.2d 483 (1950), *aff'd*, 279 App. Div. 632, 107 N.Y.S.2d 795 (1951) (bootleg recordings of radio broadcasts of the opera).

27. Associated Press v. KVOS, Inc., 9 F. Supp. 279 (W.D. Wash.), *rev'd*, 80 F.2d 575 (1934); Veatch v. Wagner, 109 F. Supp. 537 (D. Alaska 1953) (reading plaintiff's news over the radio).

28. Harvey Hubbell, Inc. v. General Elec. Co., 262 F. 155 (S.D.N.Y. 1919).

29. Electric Auto-Lite Co. v. P. & D. Mfg. Co., 8 F. Supp. 314 (E.D.N.Y. 1934).

30. Affiliated Enters. v. Gruber, 86 F.2d 958 (1st Cir. 1936).

31. See Speedry Prods., Inc. v. Dri-Mark Prods., Inc., 271 F.2d 646 (2d Cir. 1959) for an excellent example of this distinction and a discussion of palming off.

32. Public Ledger v. New York Times, 275 F. 562 (S.D.N.Y. 1921).

such statements if they are outright false as claimed, and one need not resort to the *I.N.S.* case.[33]

In other cases involving clear take-offs on the name of Coca Cola,[34] product packaging simulation,[35] and taxi cab design appearance,[36] the courts had no trouble finding that the defendant had clearly wronged the plaintiff. However, the courts nearly always found some form of traditional unfair competition *and then* cited *I.N.S.* as a buttress for their reasoning, indicating the famous language that the defendant had tried to "reap where [he] ha[d] not sown."[37] In reality these were not true misappropriation cases but traditionally recognizable unfair competition for wrongs such as palming off, trademark infringement, and trade dress appropriation.

Early successes in true misappropriation cases frequently involved appropriation of either performance rights[38] or news.[39] Thus, the Pittsburgh Pirates successfully prevented a broadcaster from observing their games from over a fence and then re-broadcasting them.[40] Other examples include a news subscription service preventing another news service from publishing its confidential reports;[41] and an eavesdropping, unlicensed ringside announcer at Joe Lewis fights seated next to a licensed ringside announcer was prevented from re-broadcasting what he heard as "hot news tips."[42] The similarity to the original *I.N.S.* facts in each instance is apparent since these involved news information of limited time value voluntarily placed before the public. No doubt relief was granted because conventional intellectual property torts were a poor fit. No patent, copyright, or trademark was involved, and the intellectual property had voluntarily been placed before the public so there was no trade secret type of taking. Traditional unfair competition failed because of a lack of palming off or misrepresentation of goods or services.

Fashion design cases also occurred in the first twenty years of the doctrine. Indeed, Judge Learned Hand's famous critique of the

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33. *Id.* at 565.

34. Coca-Cola Co. v. Old Dominion Beverage Corp., 271 F. 600 (4th Cir. 1921).

35. Pro-Phy-lac-tic Brush v. Abraham & Strauss, 11 F. Supp. 660 (E.D.N.Y. 1935).

36. Checker Cab Mfg. Corp. v. Sweeny, 197 N.Y.S. 284 (1922).

37. *I.N.S.*, 248 U.S. 215, 239-40 (1918).

38. Pittsburgh Athletic Co. v. KQV Broadcasting Co., 24 F. Supp. 490 (W.D. Pa. 1938) (peeking over a fence and broadcasting Pittsburgh Pirate baseball games).

39. F.W. Dodge Corp. v. Comstock, 251 N.Y.S. 172 (N.Y. App. Div. 1931) (finding misappropriation when defendant republished plaintiff's construction news reports as its own).

40. *Pittsburgh Athletic*, 24 F. Supp. at 494.

41. *F.W. Dodge Co.*, 251 N.Y.S. at 172.

42. Twentieth Century Sporting Club v. Transradio Press Serv., 300 N.Y.S. 159 (N.Y. Sup. Ct. 1937).

misappropriation doctrine occurred in *Cheney Bros.*, a fashion design case.[43] However, other fashion design cases granted relief under similar facts. For example, in *Margolis v. National Bellas Hess Co.*,[44] *I.N.S.* was used successfully.[45] There the court pointed out that the design was not thrown upon the market so as to be the property of the public by a simple showing to a prospective purchaser who did not purchase the fashion line, but later copied the design.[46]

By the end of the first twenty years after *I.N.S.*, misappropriation had been adopted as the law in Missouri, Texas, New York and Pennsylvania. Missouri adopted misappropriation in a case which prevented a hotel from using its jacket covers to cover a telephone book's advertising as sold by the publisher of the telephone book.[47] Texas adopted misappropriation in a case involving unauthorized re-publication of news items gathered by the owner at great expense.[48] New York adopted misappropriation in a series of cases,[49] and Pennsylvania, in its famous Fred Waring case.[50] In *Waring v. WDAS Broadcasting Station, Inc.*[51] a defendant was prevented from copying (then uncopyrightable) performances of Fred Waring and his Pennsylvanians embodied in phonographs that indicated on labels "not licensed for radio broadcast."[52] The defendant used the records, despite the labels, for broadcasting radio performances so as to compete with Fred Waring's live performances.[53] The Court adopted *I.N.S.* as Pennsylvania law, pointing out that the "publication" of the orchestra's renditions was not a dedication of them to the public, but was only for use as phonographs and not to compete with plaintiff's live performances.[54]

In the first twenty years after *I.N.S.*, only Judge Learned Hand forthrightly articulated the potential problems with a broad labor theory of intellectual property as set forth in *I.N.S.*. Other courts at best skirted the edges, indicating, sometimes rather flimsily, either why the initial

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43. Cheney Bros. v. Doris Silk Corp., 35 F.2d 279 (2d Cir. 1929).
44. 249 N.Y.S. 175 (N.Y. Sup. Ct. 1931).
45. Margolis v. National Bellas Hess Co., 249 N.Y.S. 175 (N.Y. Sup. Ct. 1931).
46. *Id.* at 179.
47. National Tel. Director Co. v. Dawson Mfg. Co., 263 S.W. 483 (Mo. Ct. App. 1924).
48. *See, e.g.*, Gilmore v. Sammons, 269 S.W. 861 (Tex. Civ. App. 1925).
49. The list of New York cases is too long to fully cite, but the New York Courts applied misappropriation to such varied circumstances as rebroadcasts and use of a Madision Square Garden look-a-like in the movies. *See, e.g.*, F.W. Dodge Corp. v. Comstock, 251 N.Y.S. 172 (N.Y. App. Div. 1931) (finding misappropriation when defendant republished plaintiff's construction reports as its own).
50. Waring v. WDAS Broadcasting Station, Inc., 194 A. 631 (Pa. 1937).
51. 194 A. 631 (Pa. 1937).
52. Waring v. WDAS Broadcasting Station, Inc., 194 A. 631, 633 (Pa. 1937).
53. *Id.*
54. *Id.* at 638.

work was not truly placed in the public domain or why *I.N.S.* was distinguishable upon its facts. Clearly, in the early days the labor theory of intellectual property was useful in those cases where the law had not yet fashioned a clear remedy.[55] It was also useful in those cases where the natural rights of an individual to his own intellectual property had somehow been offended to the economic benefit of a defendant.[56] Largely, the decisional successes of plaintiffs came in those areas in which the law had not otherwise fashioned a remedy and in which the plaintiff, if left unprotected, would lose incentive to continue with present commercial practices. None of the early cases involved serious preemption issues because they were federal cases. However, with the United States Supreme Court decision in 1938 abolishing federal common law, *Erie Railroad Co. v. Tompkins*,[57] courts now had to deal with misappropriation as a state law doctrine. After *Erie*, federal preemption and the reasoning of Judge Learned Hand in *Cheney Bros.* could not be ignored.

### C. THE DEVELOPING LAW AFTER *ERIE*: 1938-1964

The twenty-six years between *Erie* (1938) and *Sears/Compco* (1964) contributed surprisingly little to the substantive refinement of either the doctrine of misappropriation or the arguments against it. *I.N.S.* was the benchmark case for those courts accepting misappropriation and *Cheney Bros.* was the benchmark case for the courts rejecting misappropriation.

Judge Learned Hand continued what he started in *Cheney Bros.*, rejecting the doctrine at every opportunity.[58] At best, his pronouncements limited *I.N.S.* to its peculiar facts and he then found reasons why the case at bar differed; but this was only when he was kind to the doctrine. In other instances, such as *RCA Mfg. Co. v. Whiteman*,[59] he concluded exactly opposite of the Supreme Court of Pennsylvania in the Fred Waring case.[60] In *RCA*, he denied recovery premised upon *I.N.S.* when RCA sought to prevent radio broadcasts of recorded record performances, an area in which the copyright law had not yet chosen to

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55. *See, e.g.*, Madison Square Garden Corp. v. Universal Pictures Co., 7 N.Y.S.2d 845 (N.Y. App. Div. 1938) (involving a look-alike impression of the arena created without permission).

56. *See, e.g.*, Pittsburgh Athletic Co. v. KQV Broadcasting Co., 24 F. Supp. 490 (W.D. Pa. 1938) (involving peeking over a fence and broadcasting baseball games).

57. 304 U.S. 64 (1938).

58. *See supra* note 18 (citing cases in which Judge Learned Hand rejected the doctrine of misappropriation).

59. 114 F.2d 86 (2d Cir. 1940).

60. RCA Mfg. Co. v. Whiteman, 114 F.2d 86 (2d Cir. 1940).

provide a remedy.[61] In denying recovery to RCA he emphasized the voluntary placement of the performance in the hands of the public and characterized the Pennsylvania decision as one where a legend on the records "affixed a servitude upon the discs in the hands of any buyer."[62] He again warned that *I.N.S.* must be confined to its own fact situation.[63]

Other Judge Learned Hand decisions of this era denied any misappropriation remedy in instances such as copying nearly all of a book when the copyright had expired,[64] and copying the uncopyrighted Superman and Captain Marvel characters.[65] His emphasis in each instance was upon the voluntary placement of the intellectual property in the hands of the public without benefit of the protection of patent or copyright.

In the early post-*Erie* cases, some courts continued their federal law analysis without addressing the issue of whether the law of the relevant state recognized the misappropriation doctrine.[66] The cases that did make the specific analysis varied from adopting *I.N.S.* enthusiastically (New York) to flatly rejecting it (Massachusettes).[67] Courts denied relief upon a misappropriation theory for copying uncopyrighted car dealership accounting forms,[68] for copying uncopyrighted race horse news information sheets,[69] for compensating Glenn Miller's estate for use of his labor, expenses, and services in giving live performances to benefit the selling of records,[70] and for making phonographic reproductions of uncopyrighted Gregorian chants.[71] In one interesting case, a plaintiff was successful in using *I.N.S.* to enjoin the defendant from publishing an answer book to problems initially posed in the plaintiff's physics textbook.[72] Some courts emphasized that there must be competition

61. *Id.* at 90.
62. *Id.* at 89.
63. *Id.* at 90.
64. G. Ricordi & Co. v. Haendler, 194 F.2d 914 (2d Cir. 1952).
65. National Comics Publications, Inc. v. Fawcett Publications, Inc., 191 F.2d 594 (2d Cir. 1951).
66. *E.g.*, Reynolds & Reynolds v. Norick, 114 F.2d 278 (10th Cir. 1940).
67. Triangle Publications, Inc. v. New England Newspaper Publishing Co., 46 F. Supp. 198, 203-04 (D. Mass. 1942).
68. *See Reynolds & Reynolds*, 114 F.2d at 278.
69. *See Triangle Publications*, 46 F. Supp. at 200-01.
70. Walsh v. Radio Corp. of Am., 275 F.2d 220 (2d Cir. 1960).
71. Desclee & Cie, S.A. v. Nemmers, 190 F. Supp. 381 (E.D. Wis. 1961).
72. Addison-Wessley Publishing Co. v. Brown, 207 F. Supp. 678 (E.D.N.Y. 1962).

between the parties as a prerequisite to *I.N.S.* relief,[73] while others emphasized a view that some form of deception must occur.[74]

Of particular interest in differentiating between unfair competition cases involving deception and true misappropriation is *Speedry Products, Inc. v. Dri-Mark Products, Inc.*[75] In *Speedry*, the plaintiff produced "Magic Marker" marking devices.[76] Defendant imported similar devices and was sued for patent infringement, trademark infringement, and unfair competition.[77] The court denied relief under *I.N.S.*, saying the case was *sui generis*, but in so doing pointed to important differences between traditional palming off and true misappropriation:

> Because of [the] failure to recognize the distinctions between the palming off cases and the misappropriation cases, both of which categories are generally regarded as falling within the field of unfair competition, much confusion has crept into the state decisions and thence into the federal decisions. It is due to that confusion that courts occasionally have said that secondary meaning is not a necessary factor without restricting that observation to the misappropriation cases in which recovery seems not to depend upon the confusion or deceit of the public. Thus in such of these misappropriation cases as did not involve a palming off, there was a certain logic in saying that proof of a secondary meaning for a plaintiff's service or product is not essential for recovery.[78]

The point is well taken. Misappropriation does not involve confusion analysis or secondary meaning analysis. Rather, the questions are far simpler, namely, the plaintiff's use of his/her own labor to create intellectual property, the defendant's "reaping where he has not sown," the plaintiff and the defendant competing, and damage to the plaintiff. Secondary meaning, source confusion, and general trademark type analyses which are wholly appropriate for palming off and source indicia cases are wholly inappropriate for misappropriation analysis. Instead, misappropriation focuses upon the labor in creating intellectual

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73. For example, see the district court opinion in RCA Mfg. Co. v. Whiteman, 28 F. Supp. 787, 793 (S.D.N.Y.), *rev'd*, 114 F.2d 86 (1939)). The apparent theory is that misappropriation is part of the law of unfair competition, and therefore implies that competition must exist.

74. *See, e.g.*, Reynolds & Reynolds Co. v. Norick, 114 F.2d 278 (10th Cir. 1940) (noting the lack of attempt to mislead in defendant's simulation of plaintiff's uncopyrighted forms).

75. 271 F.2d 646 (2d Cir. 1959).

76. Speedry Prods., Inc. v. Dri-Mark Prods., Inc., 271 F.2d 646, 648 (2d Cir. 1959).

77. *Id.*

78. *Id.* at 650.

property and the wrong in appropriating the creator's labors without compensation.

As 1964 approached and along with it the important federal preemption companion cases of *Sears/Compco*, it was clear that misappropriation was alive and well, especially in New York. Only Massachusetts (in a federal case) had rejected it. Generally, plaintiffs' successes occurred in the unique cases that did not force the court to deal with the tension between public domain concepts of the patent and copyright law and the labor theory of intellectual property. However, Judge Learned Hand recognized the inevitable conflict in these difficult issues in *Cheney Bros.*, which he again emphasized and expounded upon in *RCA v. Whiteman*. His view apparently was that no case except *I.N.S.* itself was appropriate for misappropriation.

The clash between states' rights of protection for intellectual property of their citizens and doctrines of federal preemption of the patent and copyright laws predicted by Judge Learned Hand occurred in 1964 with the companion cases of *Sears Roebuck & Co. v. Stiffel Co.*,[79] and *Compco Corp. v. Day-Brite Lighting, Inc.*.[80] In *Sears*, based upon doctrines of federal preemption, the Supreme Court held that Illinois could not, under the guise of regulating unfair competition, grant what was in effect patent protection for items that under the patent law were not patentable.[81] In *Compco*, the Court followed its holding in *Sears* and prevented Illinois from providing relief to a plaintiff where the defendant had copied an unpatentable light fixture.[82] In both *Sears* and *Compco*, the design patent in question had been held invalid. In its now famous quote the *Sears* Court said:

> Thus the patent system is one in which uniform federal standards are carefully used to promote invention while at the same time preserving free competition. Obviously, a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents. To do either would run counter to the policy of Congress of granting patents only to true inventions, and then only for a limited time. Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that forbidding unfair

79. 376 U.S. 225 (1964).
80. 376 U.S. 234 (1964).
81. *Sears*, 376 U.S. at 232.
82. *Compco*, 376 U.S. at 237-38.

> competition, give protection of a kind that clashes with the objectives of the federal patent laws.[83]

Continuing, however, the Court ended its opinion with an important caveat:

> Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods. But because of the federal patent laws, a State may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself or award damages for such copying. Cf. *G. Ricordi & Co. v. Haendler*, 194 F.2d 914, 916 (2nd Cir. 1952). The judgment below did both and in so doing gave Stiffel the equivalent of a patent monopoly on its unpatented lamp. That was error, and Sears is entitled to a judgment in its favor.[84]

Interestingly, the Supreme Court cited the *Ricordi* case, a 1952 Judge Learned Hand opinion which denied *I.N.S.* type relief for the virtual total copying of a book. The citation of Judge Learned Hand's rejection of *I.N.S.* misappropriation for copying of an uncopyrighted work at least suggests that *Sears/Compco* might have some significant impact on the doctrine of misappropriation. However, the cryptic last paragraph of *Sears* did little to assist in determining the line between legitimate state interests and federal preemption for granting the equivalent of a patent monopoly.[85]

### D. THE *SEARS/COMPCO* AFTERMATH

The preemption doctrine of *Sears/Compco* is still having a dramatic effect on unfair competition law, thirty years later.[86] The level of its effect ebbs and flows as the Supreme Court swings the pendulum of federal preemption from side to side. In 1964, the effect of *Sears*

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83. *Sears*, 376 U.S. at 230-31.
84. *Id.* at 232-33.
85. *Id.*
86. *Sears* is routinely cited as a starting point in federal preemption cases. *See, e.g.*, Synercom Technology v. University Computing Co., 474 F. Supp. 37, 39 (N.D. Tex. 1979).

*/Compco* on the doctrine of misappropriation was immediate. Unfortunately, it was not a uniform effect.

Within months of the *Sears/Compco* decisions, the Second Circuit was faced with a trademark case which failed as a registered trademark cause of action.[87] The court, applying New York law, looked at a broader unfair competition remedy for misappropriation.[88] The Second Circuit concluded that New York *would* provide a remedy and in a footnote concluded that *Sears* did *not* preempt the New York cause of action.[89] The Court cited the last paragraphs of the *Sears* opinion, pointing out that states may still protect their legitimate interests in trademarks, labels, distinctive trade dress, and packaging.[90]

In contrast, the First Circuit, in a case involving the uncopyrighted fictional character Paladin, flatly rejected the misappropriation doctrine, stating that it was no longer authoritative since it was decided as a matter of general law before the decision in *Erie* and was overruled by *Sears*.[91] The court cited the famous dissent of Judge Learned Hand in *Capitol Records, Inc. v. Mercury Records Corp.*.[92] Hand's dissent pointed to the anomaly of allowing a creator to acquire a perpetual monopoly under state law that one could not enjoy under federal law, as well as the impossibility of affording effective protection against copying, *except* by uniform national laws.[93] The views of the First and Second Circuits as to the effect of *Sears/Compco* on misappropriation were diametrically opposed, and other circuit cases also aligned themselves with one side or the other on the effect of *Sears/Compco* on misappropriation.[94] Most courts, however, had the benefit of the next significant Supreme Court federal preemption decision, *Goldstein v. California*,[95] before they ruled.

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87. Flexitized, Inc. v. National Flexitized Corp., 335 F.2d 774 (2d Cir.), *cert.denied*, 380 U.S. 913 (1964)).

88. *Id.* at 780.

89. *Id.* at 781 n.4.

90. *Id.*

91. Columbia Broadcasting Sys., Inc. v. De Costa, 377 F.2d 315 (1st Cir.), *cert. denied*, 389 U.S. 1007 (1967)). *Accord see* Cable Vision, Inc. v. KUTV, Inc., 335 F.2d 348 (9th Cir.), *cert. denied*, 379 U.S. 989 (1964)); Goodyear Tire & Rubber Co., 435 F.2d 711 (9th Cir.), *cert. denied*, 402 U.S. 906 (1970)). *Contra see Flexitized*, 335 F.2d 774; MCCARTHY, *supra* note 7, at §§ 10:28 [2], [3] (characterizing the First Circuit view as "minority" and the opposite view the "majority").

92. 221 F.2d 657 (2d Cir. 1955).

93. Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 667 (2d Cir. 1955) (Hand, J., dissenting).

94. Federal circuit cases holding that *Sears/Compco* prevented application of misappropriation include: *Columbia Broadcasting Sys.*, 377 F.2d at 315; *Cable Vision*, 335 F.2d at 348; *Goodyear Tire*, 435 F.2d at 711. Federal Circuit cases holding *Sears/Compco* did *not* prevent application of misappropriation include: *Flexitized*, 335 F.2d at 774; *but cf.* Riback Enterprises, Inc. v. Denham, 452 F.2d 845 (2d Cir. 1971) (reversing an injunction of unpatented displays stand).

95. 412 U.S. 546 (1973).

*Goldstein* clearly represents a retreat from the sweeping view of federal preemption expressed in *Sears/Compco.*

### E. THE *GOLDSTEIN* OR TAPE PIRACY ERA: 1973-1978

*Goldstein v. California* involved a California statute that prohibited tape piracy.[96] At the time of adoption of the California statute, the federal copyright laws *did not* cover acts of tape piracy as copyright infringement. Tape piracy was therefore prevalent in the country. Until Congress amended the copyright laws, the matter of regulation of tape piracy was left in the hands of the states.

The California statute was attacked on two constitutional grounds. The first contention was that the statute was the equivalent of a state copyright of unlimited duration and thus conflicted with the Constitution.[97] The second contention was that the state statute was preempted under the *Sears/Compco* ruling.[98] As to the first issue, the Court stated that the Constitution neither explicitly precluded the states from granting copyrights nor handed the authority exclusively to the federal government.[99] Thus, the Court concluded that the states had *not* relinquished all power to grant authors "the exclusive [r]ight to their respective [w]ritings."[100] As to the argument of preemption under *Sears/Compco*, the Court distinguished *Sears/Compco*, pointing out that in *Sears*, the Illinois statute provided protection for specific unpatentable devices (pole lamps) which were within the public domain, and that in *Goldstein*, which dealt with writings (the recordings there involved), there was no comparable conflict between state law and federal law.[101] Thus, the Court concluded there was no reason why the state should not be free to prohibit tape piracy, and it cited *I.N.S.* as authority for the state action.[102] Even the dissent in *I.N.S.* was criticized, with the Court pointing out that there is no immutable line to tell us which human products are private property and which are so general as to become "free as the air."[103] *Goldstein* can only be interpreted as breathing new life into the doctrine of misappropriation since it diminishes the risk of state action being preempted.

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96. *Goldstein*, 412 U.S. at 548.
97. *Id.* at 551.
98. *Id.*
99. *Id.* at 560.
100. *Id.* (quoting U.S. CONST. art. I, § 8, cl. 8).
101. *Goldstein*, 412 U.S. at 570.
102. *Id.*
103. *Id.*

The window of opportunity presented by *Goldstein* was opened even further one year later in *Kewanee Oil Co. v. Bicron Corp.*[104] In *Kewanee*, the Sixth Circuit's holding of federal preemption for a portion of the Ohio trade secret law was reversed by the United States Supreme Court.[105] The Court held that states may exercise regulatory power over *discoveries*, just as *Goldstein* held that they could over *writings*.[106] Justices Douglas and Brennan dissented, concluding that the decision was at war with the philosophy of *Sears*.[107] On this point the dissent would seem more correct than the majority if one assumes an expansive view of the concept of public domain, i.e., what is public domain for one purpose is public domain for all purposes.[108]

The Court's reasoning as to why there was no true state law conflict with federal law was disingenuous, at best. Some commentators have indicated that the Court's enthusiasm for allowing the states to protect their legitimate interest of commercial morality in business dealings through enforcement of trade secret law pushed the *Kewanee* Court to a contrary decision that in reality is factually indistinguishable from *Sears*.[109] As Justice Douglas pointed out, the products involved in *Kewanee* were sodium iodide crystals that could have been patented, but were not.[110] Clearly, the collective weight of authority of *Goldstein* and *Kewanee* is that *Sears/Compco* is not as broadly preemptive as one might initially think. Thus, after *Goldstein* and *Kewanee*, states initially examining the misappropriation doctrine had the demanding task of analyzing federal preemption as strongly set forth in *Sears/Compco* and as modified by *Goldstein* and *Kewanee*.

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104. 416 U.S. 470 (1974).

105. Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 493 (1974), *rev'g* 478 F.2d 1074 (6th Cir. 1973).

106. *Kewanee*, 416 U.S. at 478-79.

107. *Id.* at 495.

108. An expansive view of the public domain concept would not seem justified or consistent with our legal history. For example, the patent laws speak only in terms of the right to exclude, 35 U.S.C. § 154, and have an absolute requirement for novelty, 35 U.S.C. § 102, whereas the typical state trade secret law, *e.g.*, IOWA CODE ANN. ch. 550 (West Supp. 1994), refers only to a relative standard of novelty, i.e., "not generally known," IOWA CODE ANN. Ch. 550.2 (West Supp. 1994).

Thus what is public domain for patent law purposes may not be public domain under state trade secret laws. Note, however, that Justice O'Connor in *Bonito Boats*, 489 U.S. 141, 163-65, seems to adopt an expansive view of the public domain concept.

109. Note, *Bonito Boats' Resurrection of the Preemption Controversy: The Patent Leverage Charade and the Lanham Act "End Around,"* 69 TEX. L. REV. 729 (1991).

110. 416 U.S. at 495.

### F. 17 U.S.C. § 301: 1978-1991

January 1, 1978, marked the effective date of the new copyright law.[111] It is particularly important that Section 301, Title 17, of the United States Code legislatively established the extent to which state copyright law was preempted by federal copyright law: "Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State."[112]

Continuing, section 301(b) provides that nothing in the copyright law limits the rights or remedies under common law doctrines or restricts the rights of the states to regulate subject matter that does not come within classes of subject matter specified in the federal statutes as copyrightable.[113] Nor does preemption apply to subject matter that is not equivalent to any of the exclusive rights in the copyright statute.[114] Generally, the courts have held that preemption applies if proof of one cause of action also proves another cause of action.[115] On the other hand, if there are different or extra elements of the cause of action required for proof, then there is no federal preemption.[116]

Section 301 has had, and will continue to have, an effect upon the state law doctrine of misappropriation. For example, in *Schuchart & Associates v. Solo Serve Corp.*,[117] a Texas court held that use of a misappropriation theory for copying of architectural plans for shopping malls was preempted.[118] Another Texas case with an articulate examination of the preemption doctrine is *Synercom Technology v. University Computing Co.*.[119] In *Synercom*, the defendant copied a computer input format directly out of the plaintiff's user's manual.[120] The court recognized that Texas had embraced the doctrine of misappropriation as early as 1925[121] and then commented upon the

111. 17 U.S.C. § 301 (1994).

112. *Id.* § 301(a).

113. 17 U.S.C. § 301(b) (1994).

114. Warner Bros., Inc. v. Am. Broadcasting Co., 720 F.2d 231, 247 (2d Cir. 1983) (noting that state law misappropriation claims may be preempted by federal copyright law but not palming off claims).

115. *See* MCCARTHEY, *supra* note 7, §§ 10.30[2] - [3] (discussing the legislative history of 17 U.S.C. § 301, its impact on *I.N.S.*, and cases on rights equivalent to copyright).

116. *See* Mayer v. Josiah Wedgwood & Sons, Ltd., 601 F. Supp. 1523, 1535 (S.D.N.Y. 1985) (quoting MELVILLE B. NIMMER, THE LAW OF COPYRIGHT § 1.01 [B][3], at 1-11-12 (1984)).

117. 540 F. Supp. 928 (W.D. Tex. 1982).

118. Schuchert & Associates v. Solo Serve Corp., 540 F. Supp. 928, 944 (W.D. Tex 1982).

119. 474 F. Supp. 37 (N.D. Tex. 1979).

120. Synercom Technology v. University Computing Co., 474 F. Supp. 37, 38-39 (N.D. Tex. 1979).

121. *Id.* at 39.

*Sears/Compco* decisions, saying, "[t]he line between the permissible and the impermissible exercise of state power has become difficult to discern."[122] The court then analyzed the modifications of the *Sears* doctrine by *Goldstein* and *Kewanee* and ultimately concluded that misappropriation was preempted under the facts of the case.[123]

Other less remarkable misappropriation cases in this era prevented an unauthorized race track's use of the certificates of registration and eligibility prepared only for use in authorized tracks;[124] prevented a lesser Commodity Exchange from using the Standard & Poor's Index;[125] and precluded a manufacturer from cutting off distribution rights when an area distributor had, through his efforts, created a substantial distribution list.[126] In another case, a court refused to extend the rationale of *I.N.S.* to stop use of the term "air-shuttle" to describe services between New York and Boston.[127]

As 1991 approached, it was becoming clearer, at least in the federal cases, that proper analysis of misappropriation first required a determination of whether misappropriation was a recognized doctrine in the relevant state. If recognized, the impact of federal preemption on the facts of the case at bar had to be taken into account, giving due consideration to the nature of the intellectual property as compared to federal patent, trademark, and copyright rights. This analysis began with the brightline federal preemption doctrine of *Sears/Compco*, followed by the blurred line modification of *Goldstein* and *Kewanee*. Lastly, the effect of the copyright preemption statute, Section 301, Title 17, of the United States Code had to be taken into account *if* the rights were of a type that arguably could be preempted by statutory copyright law. In this respect, Judge Higginbotham's decision in *Synercom* seemed an appropriate model for all modern day courts to follow.[128] However, *Feist Publications, Inc. v. Rural Telephone Service Co.*[129] added yet another dimension.

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122. *Id.* at 40-41.

123. *Id.* at 43.

124. United States Trotting Ass'n v. Chicago Downs Ass'n, 665 F.2d 781 (7th Cir. 1981).

125. Standard & Poor's Corp. v. Commodity Exchange, Inc., 683 F.2d 704 (2d Cir. 1982).

126. Copy-Data v. Toshiba America, Inc., 582 F. Supp. 231 (S.D.N.Y. 1984), *rev'd*, 755 F.2d 293 (1985).

127. Eastern Air Lines v. New York Air Lines, Inc., 559 F. Supp. 1270, 1280-81 (S.D.N.Y. 1983).

128. Synercom Technology v. University Computing Co., 474 F. Supp. 37 (N.D. Tex. 1978) (setting forth a model analyzing state law, then looking to the effect of federal preemption, beginning with *Sears* and moving forward).

129. 499 U.S. 340 (1991).

### G. CURRENT TIMES: 1991 (*FEIST*) TO TODAY

As of this writing, the last significant Supreme Court decision on misappropriation and preemption was *Feist Publication, Inc. v. Rural Telephone Service Co.*.[130] Rural published a typical telephone directory. Feist wanted to publish its own directory covering certain partially overlapping geographic areas.[131] In so doing, Feist sought permission to publish some of the listings from Rural's phone book. Rural refused permission but Feist still published the listings.[132] The Supreme Court held that Rural's telephone directories did not have the sufficient minimum level of creativity to be original works[133] and also rejected the "sweat of the brow" doctrine.[134] The Court concluded that facts, whether alone or as a part of a compilation, are not original and therefore may not be copyrighted.[135] Continuing, the Court noted that "[a] factual compilation is eligible for copyright [only] if it features an original selection or arrangement of facts, *but* the copyright is limited to the particular selection or arrangement []" and not to the facts themselves.[136] Interestingly, in justifying its rejection of the sweat of the brow doctrine, the Court cited *I.N.S.*,[137] presumably for the purpose of acknowledging that even in that case it was recognized that facts alone are not the subject of copyright.

Clearly, an interesting case would have developed had *Feist* involved a claim of misappropriation. One can effectively argue that, since facts and their compilation are not *per se* copyrightable, they are therefore not subject matter of concern under the copyright law, and therefore preemption does *not* apply. On the other hand, it can also be argued that since *Feist* indicates that compiled facts are in the public domain, under the federal copyright laws, they should remain in the public domain, and states cannot grant protective rights of any kind. Thus, one can argue *Feist* both ways, proving the truth of Judge Higginbotham's observation in *Synercom*: "[T]he line between the permissible and the impermissible exercise of state power has become difficult to discern."[138]

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130. *Id.*
131. *Id.*
132. *Id.* at 361.
133. *Id.* at 362.
134. *Feist*, 499 U.S. at 360.
135. *Id.* at 350-51.
136. *Id.* (emphasis added).
137. *Id.* at 353-54.
138. *Synercom*, 474 F. Supp. at 40-41.

The impact of federal preemption on misappropriation fact patterns that are clearly outside the scope of traditional federal rights under patent, trademark, and copyright laws is the most difficult area of analysis. Historically, misappropriation proved valuable to stop tape piracy when it was not copyright infringement to make pirated tapes.[139] It also was used to stop bootleg broadcasts when records were not copyrightable.[140] Even in *I.N.S.*, misappropriation stopped the copying of facts which under *Feist* are not *per se* protectible.[141] In each of these instances, the defendant had clearly benefited from the plaintiff's intellectual labors, thus fitting the misappropriation doctrine.

Following this line of reasoning, it can be argued that if the intangible intellectual property is beyond the reach of federal law, misappropriation may be an appropriate form of state intellectual property law relief. *Feist*, therefore, raises as many questions as it answers in determining the role of preemption in cases relating to writings.

While most of the case law relating to the misappropriation doctrine is of federal origin, since *Erie* the courts have been applying state law. It is therefore appropriate to examine the developed body of law of state courts to determine the role of misappropriation as a form of state protected intellectual property law.

## IV. THE DEVELOPMENT OF MISAPPROPRIATION IN STATE COURTS SINCE *ERIE*

### A. STATES ADOPTING MISAPPROPRIATION

To date, fourteen states have adopted the doctrine of misappropriation. The earliest cases were in Missouri and Texas in the mid-1920's,[142] just a few years after *I.N.S.*. Unquestionably, New York is the state that has most heartily embraced the doctrine. There may be as many misappropriation cases in New York as there are in all of the rest of the states together. New York cases vary from the famous *Metropolitan Opera* case,[143] to the fashion design cases,[144] to the

139. *See, e.g.*, Mercury Record Prods., Inc. v. Economic Consultants, Inc., 218 N.W.2d 705 (Wis. 1974).

140. *See* Waring v. WDAS Broadcasting Station, Inc., 194 A. 631 (Pa. 1937).

141. *Feist*, 499 U.S. at 342.

142. *See* National Tel. Director Co. v. Dawson Mfg. Co., 263 S.W. 483 (Mo. Ct. App. 1924); Gilmore v. Sammons, 269 S.W. 861 (Tex. Cir. App. 1925).

143. Metropolitan Opera Assoc. v. Wagner-Nichols Recorder, 101 N.Y.S.2d 483 (Sup. Ct. 1950), *aff'd*, 107 N.Y.S.2d 795 (1951).

144. Margolis v. National Bellas Hess Co., 249 N.Y.S. 175 (N.Y. Sup. Ct. 1931).

unauthorized public broadcasts of the World Series over leased telephone lines,[145] and finally to the Madison Square Garden look-alike case.[146] In no particular order, the other eleven states adopting the doctrine are Pennsylvania,[147] California,[148] Alaska,[149] Colorado,[150] Illinois,[151] North Carolina[152] South Carolina,[153] Wisconsin,[154] New Jersey,[155] Maryland[156] and Delaware.[157] In Alaska and Delaware, the only cases are federal cases, but the federal courts predicted that misappropriation would be adopted as state law.

The motivation for adopting misappropriation in some of the states in the 1970s was to address tape piracy where Congress had not yet acted.[158] In doing so, the state supreme courts nicely illustrated one of the best arguments for misappropriation as a viable doctrine of intellectual property. It serves to protect intellectual efforts in fact patterns fitting no other tort.

So far, misappropriation has been specifically rejected as preempted only in Massachusetts[159] and Hawaii.[160] Both cases involved federal district courts predicting the status of the law of the state as opposed to the state supreme court adopting or rejecting the doctrine.

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145. Mutual Broadcasting Sys., Inc. v. Muzak Corp., 30 N.Y.S.2d 419 (1941).

146. Madison Square Garden Corp. v. Universal Pictures Co., 7 N.Y.S.2d 845 (N.Y. App. Div. 1938).

147. *See, e.g., Waring*, 194 A. 631 (Pa. 1937).

148. *See, e.g.*, McCord Co. v. Plotnick, 239 P.2d 32 (Cal. Dist. Ct. App. 1951).

149. *See, e.g.*, Veatch v. Wagner, 109 F. Supp. 537 (D. Alaska 1953) (predicting state law).

150. *See, e.g.*, American Television & Communications Corp. v. Manning, 651 P.2d 440 (Colo. App. 1982).

151. *See, e.g.*, Board of Trade v. Dow Jones & Co. Inc., 439 N.E.2d 526 (Ill. App. Ct. 1982).

152. *See, e.g.*, Liberty/UA, Inc. v. Eastern Tape Corp., 180 S.E.2d 414 (N.C. Ct. App. 1971).

153. *See, e.g.*, Columbia Broadcasting Sys., Inc. v. Custom Recording Co., 189 S.E.2d 305 (S.C. 1972), *cert. denied*, 409 U.S. 1007 (1973).

154. *See, e.g.*, Mercury Record Prod., Inc. v. Economic Consultants, Inc., 218 N.W.2d 705 (Wis. 1974).

155. *See, e.g.*, Columbia Broadcasting Sys., Inc. v. Melody Recordings, Inc., 341 A.2d 348 (N.J. Super. Ct. App. Div. 1975).

156. *See, e.g.*, GAI Audio of New York, Inc. v. Columbia Broadcasting Sys., Inc., 340 A.2d 736 (Md. Ct. Spec. App. 1975).

157. Data Gen. Corp. v. Digital Computer Controls, Inc., 357 A.2d 105, 113 (Del. Ch. 1975) (adjudicating conflict of law issue and applying New Jersey law); *but see* National Football League v. Governor of Delaware, 435 F. Supp. 1372, 1377 n.2 (D. Del. 1977) (denying recovery but stating that misappropriation is the law of Delaware).

158. Nearly half of the states adopting misappropriation did so in response to tape piracy before Congress had provided a copyright remedy, e.g., Wisconsin, North Carolina, South Carolina, Maryland and New Jersey.

159. New England Tel. & Tel. Co. v. National Merchandising Corp., 141 N.E.2d 702, 710 (Mass. 1957) (refusing to apply misappropriation for sale of covers to cover up advertising of telephone directory).

160. Famolare, Inc. v. Melville Corp., 472 F. Supp. 738 (D. Haw. 1979), (refusing to apply *I.N.S.* misappropriation to wavy bottom shoes).

For the most part, the state cases are rather unremarkable in their discussion of the misappropriation doctrine. The Pennsylvania Fred Waring case[161] and the Wisconsin tape piracy case[162] are perhaps the most interesting and scholarly ones. However, none of the state cases achieve the sophisticated rationale of Judge Learned Hand in his many cases repudiating the doctrine[163] or of Judge Higginbotham in his excellent preemption analysis in *Synercom*.[164]

### B. FACT PATTERNS OF MISAPPROPRIATION CASES

The attempts to apply misappropriation are as varied as the imaginations of plaintiffs' counsel. It is therefore somewhat difficult to categorize the cases. However, a reading of the cases does show distinct trends. Generally, the cases involving the least successful plaintiffs have been routine copying of product cases,[165] routine copying of service cases,[166] cases that are actually trademark cases,[167] and finally, copying of business ideas or systems.[168] In cases such as these, the courts have articulated conceptual problems in applying the broad implications of *I.N.S.* to products and services that have been voluntarily placed before the public without restrictions.[169] Typical of such cases is the New York case of *Germanow v. Standard Unbreakable Watch Crystals, Inc.*,[170] in which the plaintiff was prevented from enjoining a defendant from also making watch crystals where the plaintiff had no patent or other statutory protection.[171]

Plaintiffs have achieved a mixed degree of success in literary work cases[172] and fashion design cases.[173] Generally, if the literary work either has been copyrighted or is of the type of subject matter that could be copyrighted at the time it was fixed, preemption considerations under

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161. Waring v. WDAS Broadcasting Station, Inc., 194 A. 631 (Pa. 1937).

162. Mercury Record Prods., Inc. v. Economic Consultants, Inc., 218 N.W.2d 705 (Wis. 1974).

163. R.C.A. Mfg. Co., Inc. v. Whiteman, 114 F.2d 86, 90 (2d Cir. 1940), *cert. denied*, 311 U.S. 712 (1940); G. Ricordi & Co. v. Haendler, 194 F.2d 914, 916 (2d Cir. 1952); National Comics Publications, Inc. v. Fawcett Publications, Inc., 191 F.2d 594, 603 (2d Cir. 1951).

164. Synercom Technology, Inc. v. University Computing Co., 474 F. Supp. 37 (N.D. Tex. 1979).

165. Rahl, *supra* note 7, at 67 nn. 41-50.

166. *Id.* at 68.

167. Speedry Prods., Inc. v. Dri-Mark Prods., Inc., 271 F.2d 646 (2d Cir. 1959).

168. *See, e.g.*, Affiliated Enter., Inc. v. Gruber, 86 F.2d 958 (1st Cir. 1936).

169. For an excellent discussion of misappropriation and the conceptual difficulties with property in the public domain see RESTATEMENT OF UNFAIR COMPETITION, ch. 4, Appropriation of Trade Values.

170. 27 N.E.2d 212 (N.Y. 1940).

171. Germanow v. Standard Unbreakable Watch Crystals, Inc., 27 N.E.2d 212, 217 (N.Y. 1940).

172. *See, e.g.*, Grove Press, Inc. vs. Collectors Publications, Inc., 264 F. Supp. 603 (C.D. Cal. 1967); *but cf.* G. Ricordi & Co. v. Haendler, 194 F.2d 914 (2d Cir. 1952).

173. *Compare* Cheney Bros. v. Doris Silk Corp., 35 F.2d 279 (2d Cir. 1929) *with* Margolis v. National Bellas Hess Co., 249 N.Y.S. 175 (N.Y. Sup. Ct., 1931).

section 301, title 17 of the United States Code will preclude relief.[174] However, in the unique cases involving not only fixed words, but also copying of other matters such as layout, type set, and engraving plates, some courts have granted relief.[175] In fashion design cases, results are truly mixed with the directly contrary results of state and federal New York courts best exemplifying the point.[176]

The most successful misappropriation plaintiffs have been those in areas factually similar to *I.N.S.*. Thus, plaintiffs have a reasonable chance of success if the case involves rebroadcasting hot news items,[177] appropriations of live performances,[178] or during the 1970's, tape piracy.[179] Unauthorized broadcasts of sporting events have also been routinely stopped on a misappropriation theory.[180] Most recently, the doctrine has been applied in commercial data cases such as stock index cases.[181]

Generally, underlying all of these decisions, and often predictive of the outcome, are the nature and extent of preemption issues that arise, and the nature and extent to which the plaintiff has voluntarily placed intellectual property in the public domain. The recent Supreme Court case, *Bonito Boats Inc. v. Thunder Craft Boats*,[182] raises questions about the distinction sometimes made between simply copying a public domain object and exact reproduction. In *Bonito Boats*, the issue was a Florida statute that prevented plug molding of boat hulls. The plaintiff argued that the statute was constitutional and was unlike *Sears/Compco* in that it only prevented a specific type of copying, i.e. plug molding. The United States Supreme Court rejected this distinction, and agreed with the Florida Supreme Court[183] that the statute was unconstitutional, citing *Sears/Compco* for its rationale.[184] *Bonito Boats* would seem to

174. *See, e.g.*, Schuchart & Assocs., Professional v. Solo Serve Corp., 540 F. Supp. 928 (W.D. Tex. 1982) (finding that preemption prevailed over misappropriation claim for architectural plans).

175. *See supra* note 168.

176. *Germanow*, 27 N.E.2d at 215, 217.

177. This is closest factually to *I.N.S.* and perhaps accounts for the greater degree of plaintiffs' successes.

178. Live performances, particularly of sporting events, are very much analogous to the hot news cases.

179. GAI Audio of New York, Inc. v. Columbia Broadcasting Sys., Inc., 340 A.2d 736 (Md. Ct. Spec. App. 1975).

180. *See* Pittsburgh Athletic Co. v. KQV Broadcasting, 24 F. Supp. 490 (W.D. Pa. 1938); Mutual Broadcasting Sys., Inc. v. Muzak Corp., 30 N.Y.S.2d 419 (1941); National Exhibition Co. v. FASS, 143 N.Y.S.2d 767 (N.Y. Sup. Ct. 1955).

181. Board of Trade v. Dow Jones & Co., 439 N.E.2d 526 (Ill. 1982), *aff'd*, 456 N.E.2d 84 (1983); Standard & Poor's Corp., Inc., v. Commodity Exchange, Inc., 683 F.2d 704 (2d Cir. 1982).

182. 489 U.S. 141 (1989).

183. Bonito Boats, Inc. v. Thunder Craft Boats, 515 So. 2d 220 (Fla. 1987).

184. *Id.* at 157.

make the routine product copying case even more difficult for plaintiffs seeking to apply the misappropriation doctrine.

## V. MISAPPROPRIATION AS STATE INTELLECTUAL PROPERTY LAW

Having examined the historical development of the misappropriation case law, as well as its interplay with federal concepts, one is left with a distinct feeling that misappropriation *does* serve a useful purpose, *but* its use must be carefully balanced against the preemptive federal right concepts embodied in patent and copyright law. The balance between those rights and the concept of public domain property free for the use of all cannot be upset without a risk of preemption. Most successful misappropriation cases have not upset this balance, but have simply kept a wrongdoer from engaging in clearly offensive, inequitable conduct beyond simple copying. However, the courts' enthusiasm to stop inequitable conduct should not override the necessary examination of the balance between what is free and available for all under patent and copyright law and what is of legitimate state interest for protection.

However, the dividing line between misappropriation and permissible copying of unpatented or uncopyrighted matter in the public domain is not clear. Perhaps the line is crossed when the copyist not only copies, but also takes the other natural fruits of the plaintiff's labors.[185] Thus, copying through reverse engineering or other conduct involving the copyist's own labor rightfully exercised on a public domain *res* might be permissible; but if in copying the copyist also takes the benefit of the plaintiff's other inherently associated rights, then misappropriation has occurred. Some examples may be helpful.

In news cases like *I.N.S.*, the defendant has not only taken the uncopyrightable information but has also taken the economic value of being first in the marketplace with the news. Since news is of limited time value, the concept of being first in the marketplace is critical. In the *Metropolitan Opera* case,[186] not only the substance of the broadcast was taken, but also the recording right. In the baseball peeking case, informational facts of the game were taken, along with the right of broadcasting for profit.[187] Thus, an intangible *res* (intellectual property) often has not only the right of possession of a tangible embodiment, but

185. These associated rights are sometimes referred to as trade values. *See* Rahl, *supra* note 7, at 56.

186. Metropolitan Opera Assoc. v. Wagner, 101 N.Y.S.2d 483 (N.Y. Sup. Ct. 1950), *aff'd*, 107 N.Y.S.2d 795 (1951).

187. Pittsburgh Athletic Co. v. KQV Broadcasting, 24 F. Supp. 490 (W.D. Pa. 1938).

also an associated bundle of rights (trade values), at least some of which equitably should, in the first instance, belong to the originator. After all, it is within the originator's power to do absolutely nothing with his or her creation! In this way an incentive to share for the benefit of the public is provided, without necessarily running afoul of public domain and preemption concepts of the patent and copyright law.

Viewed in this light, preemption should arise where the originator has exploited this initial bundle of rights, received some benefit of the fruits of her labor, and then attempted to stop others, thus reserving to herself a degree of exclusivity which can and should only arise from statutory granted rights. Thus, in most cases where a defendant has done nothing more than copy a publicly sold article, the plaintiff should fail on a misappropriation theory. Where, however, the defendant has, by way of example, not only copied but also taken the associated right of normally being first in the marketplace, the plaintiff should be successful.

Following such an analysis initially requires examination of the nature of the intellectual property and its inherently associated bundle of rights (trade values). These must then be compared to the appropriate federal law model to determine if preemption is involved. Using this approach, many future cases can be rationally decided without deciding the difficult issue of whether *Sears/Compco* is a correct statement of preemption, or whether the more moderate views of *Goldstein* and *Kewanee* are correct. Thus only in cases where the appropriated trade value is not distinct from the *res* itself would one have to confront preemption considerations.

The precise bundle of associated rights or trade values will vary, depending upon the type of intellectual property appropriated. Thus, an exhaustive list of such rights or trade values is impossible. However, some of the natural rights inherently possessed by the originator of intellectual property are the right to keep it secret, the right to publish it, the right to initially exploit it, the right to be associated with origination of the property (reputation), the right to dedicate it to the public, or in some instances, if it is federally protectible, the right to patent or copyright it. These rights would seem to exist in every intellectual property creation. Other rights will be more specific to the various types of property, such as the right of rebroadcast for sporting events, the moral right for literary works, and the right of privacy for private letters.

One may well ask whether the states have a legitimate interest in protecting this natural bundle of rights or trade values normally associated with the originator's intellectual property. It is a good question.

### A. LEGITIMATE STATE INTERESTS

Clearly, states have an interest in protecting the intellectual labors of their citizens, particularly where the subject matter of the intellectual labor is of peculiar interest to the state. Indeed, *Goldstein v. California*[188] concerned this precise issue. The State of California had an unquestioned interest in prohibiting tape piracy in view of the strong economic interest of California in the entertainment industry. The Supreme Court quickly pointed out that the Constitution neither explicitly precluded nor granted states the right of copyright.[189] The same can be said for patents. Indeed, in the very early history of our country, states routinely granted patents.[190] Thus, in *Goldstein* the Court concluded that the states have not relinquished all powers to grant authors the exclusive right to their respective writings.[191] The same is true for inventors. One need only examine the early history of state copyright and patent laws and the current state trade secret statutes to prove the point.

### B. INTELLECTUAL LABORS OF LOCAL STATE INTEREST

Misappropriation would seem to be a natural theory for protecting intellectual labors that are of peculiar interest to the state. Often these intellectual labors will have to do with the natural resources of the state and ancestral heritage of the people of the state. For example, in the Midwest, row crops and domestic livestock, now both fully capable of genetic control, are of peculiar interest to the states. In the Dakotas, Indian heritage is of particular interest and economic value. In Minnesota, Scandinavian heritage and associated products have particular value. In Tennessee, music rights are of paramount importance. In Louisiana, Cajun history has undeniable economic value, and in the Northwest, in states such as Idaho, Oregon, and Washington, wood and lumber interests prevail. In Chicago, Illinois, excellent experimental architecture has historically abounded. In all of these examples, an intellectual property favoritism of each state toward its own natural resources and the historical and ancestral heritage of its people, would seem both logical and permissible under *Goldstein*.

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188. 412 U.S. 546 (1973), *reh'g denied*, 414 U.S. 883 (1974).

189. *Id.* at 561-62.

190. *Id.* at 557 n.13 (making examples of the eighteenth century state patents issued by the states of Massachusetts, South Carolina, Maryland, and Pennsylvania).

191. *See supra* notes 96-103 (discussing the state power to grant rights to authors).

In such cases involving state interests it would seem best to first leave it to the states to decide what rights they wish to recognize and in what areas they wish to extend the doctrine of misappropriation. Thereafter, the federal courts can decide whether or not the state extensions involve an unreasonable interference with federal patent and copyright laws.

One cannot today decide with any degree of accuracy what might be important intellectual property rights tomorrow. Indeed, the Third Circuit has recognized that misappropriation is flexible enough to "fill the gap."[192] . Consider, for example, whether or not misappropriation might be applied to some of the following facts: defacing or modifying art, intercepting cellular phone signals, reselling art objects, writing unauthorized biographies, unauthorized dubbing to create duet performances, colorizing old movies, or making replicas of classic cars such as the '57 Chevy and the '65 Mustang.

## VI. CONCLUSION

Viewed in light of its flexibility and in light of states' rights, it would seem that misappropriation is a justified doctrine of law. It provides a flexible balance between labor protection, competition, and preemption. It is flexible enough to use or reject as needed and to extend the frontiers of the law to cover conduct generally regarded as inequitable and unreasonable when directed toward rights associated with intellectual property created by another. It can be applied without unreasonably interfering with federally protected competition. The seventy-five year history of this doctrine demonstrates its worth.

192. United States Golf Ass'n v. St. Andrews Sys. Data Max, 749 F.2d 1028, 1038 (3d Cir. 1984).